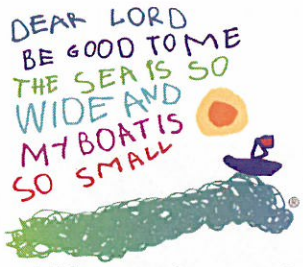


Children's Defense Fund
CALIFORNIA

ENDING CHILD POVERTY NOW CALIFORNIA

California has the highest child poverty rate in the nation, according to the U.S. Census Bureau's supplemental poverty measure, which takes into account cost of living and the impact of public benefits. More than one in four (26.6%) California children were poor in 2012.[1] Poverty disproportionately impacts children of color in California. More than one in three African-American children (35.2%) and Latino children (37.8%) in California were poor between 2010 and 2012.[2] Growing up poor has lifetime negative consequences, decreasing the likelihood of graduating from high school and increasing the likelihood of becoming a poor adult, suffering from poor health, and becoming involved in the criminal justice system.[3]

California can – and must – defeat child poverty. A new Children's Defense Fund report, *Ending Child Poverty Now*, found that the nation could reduce child poverty by 60% and lift 6.6 million children – including 1.3 million California children – out of poverty by expanding existing federal programs. California state policymakers also have the power to significantly reduce child poverty in California by investing in effective state programs and policies that increase employment and make work pay for parents, and ensure children's basic needs are met.

How California Can Reduce Child Poverty Right Now

Enact a refundable state Earned Income Tax Credit (EITC)

The federal Earned Income Tax Credit (EITC) is a refundable tax credit that is one of the nation's most effective tools for reducing child poverty among working families. Research shows that the federal EITC benefits poor children by raising family income, boosting academic achievement, and improving health and well-being.[4] The EITC has also been shown to increase employment among single parents by incentivizing work. Half of all states have created a state EITC that builds on the federal credit – but California has yet to do so.

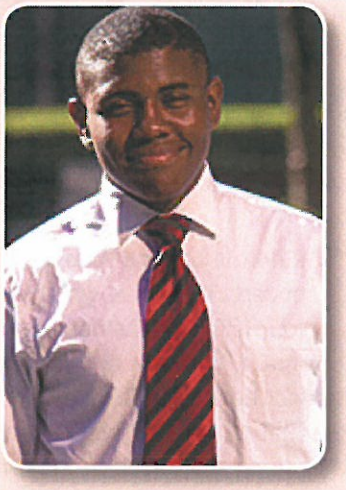
California should implement a state EITC. A refundable state EITC that sets the credit as a percentage of the federal EITC would give more than 10.3 million Californians, primarily families with children, an economic boost. A refundable 30% state credit would cost around $2 billion and and lift approximately 250,000 individuals out of poverty, according to the Legislative Analyst's Office.[5] Modifications could also be made to increase the anti-poverty impact of the state EITC for children by focusing the benefits on the poorest families. For instance, the Children's Defense Fund's analysis found that improving the federal EITC to increase its value for lowest-income families with children would reduce child poverty in California by 4.5%.

Raise the state minimum wage

A parent with two children working full time at the current California minimum wage of $9 an hour lives below the official poverty line. In California, 61% of poor children live with a parent who works, and 37% live with a parent who works full-time.[6] While the minimum wage will increase to $10 an hour in 2016, further increases – including annual cost-of-living adjustments – are necessary to permanently keep the minimum wage above the federal poverty line.

California should raise the minimum wage to $15 per hour and index it to inflation. Raising California's minimum wage would bring working poor families out of poverty, and bring millions of families closer to self-sufficiency.

Surviving Poverty and Beating the Odds



High school senior Zachary Byrge lives in a poverty stricken area in South Los Angeles, where gang violence and drug use are constant threats. Zachary's mother always worked two jobs to provide for the family, but when he was nine years old she lost both her jobs and the family became homeless. For more than a year they moved from family to family and slept in their car for three months when no one could take them in. With the help of public assistance, the family was just getting back on their feet when Zachary's mother suffered a triple stroke and heart attack. Fearing they would be back out on the streets, Zachary and his sister committed to providing for the family.

While social safety net supports help Zachary's family meet their basic needs, the family still constantly struggles to stay afloat with a $321 CalWORKs grant every month. "I know what it's like to not have food, or not have water or power," Zachary said. Recently, Zachary's mother was diagnosed with brain cancer, and is awaiting treatment.

Despite the tremendous obstacles of poverty, Zachary has been able to succeed in school and become a leader in his community. In 2014, Zachary was honored as one of Children's Defense Fund-California *Beat the Odds* scholars, and will receive a college scholarship and access to support services throughout his college career and beyond. He aspires to be a doctor to care for people like his mother.

An analysis of a $13 minimum wage found that two-thirds of families who would benefit have incomes below California's median household income.[7] Pairing an increase in the minimum wage with an improved EITC would be particularly effective in boosting financial security for low-income parents since the two policies amplify and complement each other.

Expand the number of child care slots for low-income children

Making high-quality child care affordable to families reduces child poverty by enabling parents to work and increasing family economic security. High-quality child care also breaks the cycle of poverty in the long run by promoting the safe, nurturing, and stimulating environments that improve children's brain development and future academic success. However, many California families lack access to affordable, high-quality child care and demand for subsidized child care far exceeds available supply. Fewer than one in five eligible California children age 0-5 benefit from child care subsidies due to funding restrictions.[8]

California should invest in additional child care slots for the lowest-income children. While last year's state budget investments in early learning were a step in the right direction, more needs to be done to restore the $1 billion in state cuts to child care and development made during the recession. Additional investments in child care slots will help ensure young children have quality early education they need to thrive and parents have the child care they need to work.

Make the state Tax Credit for Child & Dependent Care Expenses refundable

California's Child and Dependent Care (CDC) Credit provides a state tax credit based on the federal CDC Credit to help working families pay for their child care expenses, thereby increasing family's economic resources and enabling them to work. The state CDC credit is worth 50% of federal credit for families with annual incomes below $40,000; the percentage decreases as income increases and is eliminated for families with annual incomes greater than $100,000. A family with two children can qualify for as much as $1,050 to offset child care costs.

The state credit was originally refundable – which meant low-income families with no tax liability could benefit by receiving a tax refund to defray the cost of child care. Unfortunately, 2011 budget cuts eliminated the refundability of the state credit, excluding the children and families who need it most from the benefit. As a result, more than 220,000 households with annual incomes less than $50,000 lost a total of $85.7 million in tax benefits; more than 56,000 households with annual incomes less than $20,000 lost nearly $25 million in tax benefits.[9] California should restore the refundability of the state CDC credit to enable low-income families to benefit.

Increase CalWORKs basic needs benefits and eliminate the Maximum Family Grant rule in CalWORKs

The California Work Opportunity and Responsibility to Kids (CalWORKs) program provides modest cash assistance to more than half a million low-income families with children, while helping parents overcome barriers to employment. However, recent cuts to the CalWORKs program have reduced grant levels to below the deep poverty threshold, defined as less than half of the federal poverty level. Nearly 1 in 10 California children live in deep poverty. The Maximum Family Grant (MFG) rule in CalWORKs denies additional basic needs assistance to families with children who are born while any member of the household is receiving assistance. The MFG rule pushes families with newborn babies deeper into poverty at a developmentally critical time.

California should increase CalWORKs benefits above the deep poverty threshold and repeal the MFG rule to allow families to receive basic needs aid for their newborn children. If the MFG rule were eliminated, most CalWORKs households with newborns would receive $122 per month in additional benefits for their newborn child, which would help mitigate the increased risk of homelessness and other hardships associated with extreme poverty.

Fund transportation for low-income children

Many poor families lack the resources to pay for essential transportation, making it difficult for children to attend school. Research released by California Attorney General Kamala Harris highlights that poverty is a significant cause of poor school attendance. One of the reasons most identified by impoverished parents and children for missing school is lack of transportation. Lack of transportation to and from school also means that parents with young children are less able to participate in work or work training programs.

California should pass legislation to meet the transportation needs of low-income children, which would strengthen employment options for low-income parents and promote children's regular attendance and success in school and increased access to public services and resources, like summer food programs, libraries, and parks.

Increase participation in CalFresh by integrating enrollment with health care enrollment

Nearly 2.5 million California children face hunger or the fear or going hungry.[10] The Supplemental Nutrition Assistance Program (SNAP - known as CalFresh in California) is a critical support for many families and children facing hunger, providing an average of $306 per household per month for groceries.[11] However, California has one of the lowest SNAP participation rates in the nation. Only 57% of eligible households are signed up for the nutrition benefits they qualify for, compared to 79% of households nationally.[12]

As a result of California's low SNAP participation, 3.2 million Californians are not receiving the $3.5 billion in federal food benefits for which they qualify.[13] California should focus on increasing participation by connecting CalFresh with the Affordable Care Act (ACA), by leveraging new funds, technology, and processes to ensure dual participation in both health and nutrition assistance by all qualified families and children.

Fund a state housing trust fund to develop and preserve affordable housing for extremely low-income families

California has a housing affordability crisis. Lack of affordable housing is a significant contributor to the state's high poverty rate. In order to afford a two-bedroom apartment at fair market rent, a parent earning minimum wage has to work 115 hours per week year-round.[14] Families in areas with high housing costs have even more trouble affording a safe place to live. Lack of affordable housing can drive families into homelessness; an astounding 4% of California's students experienced homelessness at some point during the 2012-13 school year.[15]

While California's investment in affordable housing has dwindled, particularly with the elimination of redevelopment agencies in 2012, research suggests that addressing housing affordability is critical to reducing child poverty. Increasing access to housing subsidies for poor and near-poor families with children would reduce child poverty in California by 30%, according to the Children's Defense Fund's analysis. California should provide dedicated resources – such as through a state housing trust fund – to build, preserve, and rehabilitate rental housing that is affordable for extremely low-income families (those earning less than 30% of the area median income).

California's Golden Opportunity to Reduce Child Poverty

California cannot afford to continue allowing 1 in 4 children to grow up in poverty, harming their health and well-being and undermining their academic and future economic success. California has the opportunity to substantially reduce the state's high child poverty rate by investing in policies and programs that increase employment, make work pay, and expand safety net supports to ensure children's basic needs are met. This investment would eventually pay for itself by protecting children against the lifelong consequences and costs of poverty and reducing poverty in future generations.

Children's Defense Fund-California recommends the following state policy changes to reduce child poverty:

1. Enact a refundable state Earned Income Tax Credit (EITC)
2. Raise the state minimum wage
3. Expand the number of child care slots for low income children
4. Make the state Tax Credit for Child & Dependent Care Expenses refundable
5. Increase CalWORKs benefits and eliminate the Maximum Family Grant rule in CalWORKs
6. Fund transportation for low-income children
7. Increase participation in CalFresh by integrating enrollment with health care enrollment
8. Fund a state housing trust fund to develop affordable housing for extremely low-income families

Policy efforts to increase the economic resources of poor families must also be supplemented by policies to break the cycle of poverty by ensuring children and families have access to affordable health care, quality early learning, high-performing schools, and families and neighborhoods free from violence.

For more information, visit www.cdfca.org/endchildpoverty.

---

[1] King, M. et al. Integrated Public Use Microdata Series, Current Population Survey: Version 3.0. Minneapolis: University of Minnesota. As cited on www.kidsdata.org. "Children in Poverty - Supplemental Poverty Measure."

[2] Ibid. "Children in Poverty - Supplemental Poverty Measure, by Race/Ethnicity."

[3] Children's Defense Fund. 2015. "Ending Child Poverty Now."

[4] California Budget Project. 2014. "A State EITC: Making California's Tax System Work Better For Working Families."

[5] Legislative Analyst's Office. 2014. "Options for a State Earned Income Tax Credit."

[6] Bohn, Sarah and Matt Levin. 2013. "Child Poverty in California." Public Policy Institute of California.

[7] Allegretto , Sylvia A., Michael Reich and Rachel West. 2014. "Ten Dollars or Thirteen Dollars? Comparing the Effects of State Minimum Wage Increases in California," p. 10. Center on Wage and Employment Dynamics, University of California, Berkeley.

[8] California Child Care Resource & Referral Network estimate based on: U.S. Census Bureau. "American Community Survey 2012."

[9] CDF-CA calculations based on: State of California Franchise Tax Board. "Tax Expenditure Report," 2010 Tax Year and 2011 Tax Year.

[10] Feeding America. 2014. "Mapping The Meal Gap," p. 30.

[11] U.S. Department of Agriculture. 2014. Supplemental Nutrition Assistance Program: Average Monthly Benefit Per Household, FY 2014.

[12] U.S. Department of Agriculture. 2014. State Supplemental Nutrition Assistance Program Participation Rates in 2011.

[13] California Food Policy Advocates. 2014. "Lost Dollars, Empty Plates: The Impact of CalFresh Participation on State and Local Economies."

[14] CDF-CA calculations based on: National Low Income Housing Coalition. "Out of Reach 2014."

[15] California Homeless Youth Project. 2014. "California's Homeless Students: A Growing Population."